

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS CAIRO 000835

SIPDIS

SENSITIVE

STATE FOR NEA/ELA, NEA/RA AND EB/IDF  
USAID FOR ANE/MEA MCCLOUD AND CHAN  
USTR FOR SAUMS  
TREASURY FOR MILLS/NUGENT/WALKER/KLINGENSMITH  
COMMERCE FOR 4520/ITA/ANESA/TALAAAT

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EAID](#) [EG](#)

SUBJECT: BANKING SECTOR UPDATE: U.S. INVESTMENT FIRM  
PURCHASES SHARES IN COMMERCIAL INTERNATIONAL BANK

REF: CAIRO 680

This cable is Sensitive but Unclassified. Please protect accordingly.

11. (U) Ripplewood Holdings, a New York based investment company, recently led a group of investment firms in the purchase of all of the public shares in Commercial International Bank (CIB), the largest joint venture (JV) bank in Egypt. The Ripplewood-led consortium purchased 18.7% of CIB, which constitutes all of the shares of CIB held by the National Bank of Egypt (NBE), Egypt's largest public bank. Ripplewood is the first American firm to enter Egypt's banking sector, and the move is likely to spark interest from other U.S. investors, given Ripplewood's reputation for sniffing out good investment opportunities overseas. The firm is famous for its purchase of a troubled public bank in Japan, which it turned around and sold for a profit five years later. It was the first foreign private sector firm to purchase a Japanese bank.

12. (U) Ripplewood reps told Econoff that the firm was impressed with CIB's management and with the financial sector reforms the GOE has recently undertaken. Though the consortium does not own a controlling share in CIB, it will work with the bank's management to make CIB "Egypt's national champion" and the standard for all other banks in the Egyptian market. At a press conference after announcement of the sale, Hisham Ezz El Arab, Chairman of CIB, stated that CIB plans to expand its commercial operations not only in Egypt, but throughout the region. The consortium has taken over NBE's seats on CIB's board of directors and has already appointed a number of prominent figures to fill the seats. Former Federal Reserve Director Paul Volcker has also been named by the consortium as an advisor to the board.

13. (U) Public reaction to the sale was mixed. Press reports indicated grumbling in the market over the price per share of the purchase. The consortium will pay LE 53.50 per share, for a total sale value of \$230 million. CIB's shares have been trading in the last few days at approximately LE 73.50 on the Cairo and Alexandria Stock Exchange. Ripplewood reps explained the discrepancy between their purchase price per share and the price per share on the stock exchange by noting that sale negotiations had been underway for several months. CIB's shares were trading at LE 53.50 when agreement was reached over the price per share. In the last few weeks, rumors of the agreement had reached certain sectors of the market, which drove CIB's shares up to their current levels.

14. (SBU) Comment: This purchase fulfills one of the benchmarks of the U.S.-Egypt Financial Sector MOU. With the divestment of public shares in CIB and the recent sale of Egyptian-American Bank (EAB) to Calyon (reftel), the GOE has now fulfilled Benchmark 3.2 in the MOU, divestment of all GOE shares in the four largest JV banks. CIB was the largest of the JV banks, followed by EAB, National Societe Generale Bank and Misr International Bank. The latter two banks' public shares were divested in February and September 2005 respectively. Disbursement of Development Support Program (DSP) funds tied to completion of Benchmark 3.2 (\$100 million) is contingent upon completion of both Benchmark 3.1 and 3.2. Benchmark 3.1, completion of an audit of the four largest state-owned banks by an internationally recognized impartial institution, is still pending.

15. (SBU) Comment continued: In an interesting turn of events, the head of one of the consortium members told Econoff that the consortium has already begun advising CIB on a bid to purchase the Bank of Alexandria (BOA), the public bank scheduled for privatization by March 2006. The sale of BOA, either to CIB or another investor, will fulfill Benchmark 3.3 of the MOU, clearing the way for disbursement of \$150 million in DSP funds tied to completion of Benchmark 3.3. An assessment of the GOE's compliance with other MOU benchmarks will be provided septel. End comment.  
RICCIARDONE